

Quarterly Report

Q2-12

Asset Class Performance (gross of fees) – periods ending June 30, 2012

	Qtr	YTD	Annualized Return					Ann. Std.Dev. ITD ^{AAAA}	Performance Inception Date ^A	Published Calendar Year Returns ^{AAA}					% of Total Fund	Market Value (\$)
			1-Year	3-Year	5-Year	7-Year	ITD			2011	2010	2009	2008	2007		
Total Fund	-2.2	5.8	0.2	10.6	-0.5	3.4	8.5	10.0	07/1984	-0.0	13.2	10.8	-26.8	7.3	100.0%	1,842,776,282
<i>Policy Index^{AA}</i>	<i>-1.4</i>	<i>6.7</i>	<i>1.7</i>	<i>10.2</i>	<i>1.2</i>	<i>4.3</i>	<i>9.4</i>	<i>9.4</i>		<i>1.1</i>	<i>11.0</i>	<i>15.9</i>	<i>-24.0</i>	<i>8.1</i>		
U.S. Equity	-4.0	9.2	2.9	17.9	0.5	4.4	9.8	18.0	01/1984	0.4	21.4	29.3	-38.2	4.5	32.9%	606,300,222
<i>Russell 3000 Index</i>	<i>-3.1</i>	<i>9.3</i>	<i>3.8</i>	<i>16.7</i>	<i>0.4</i>	<i>4.3</i>	<i>10.2</i>	<i>17.3</i>		<i>1.0</i>	<i>16.9</i>	<i>28.3</i>	<i>-37.3</i>	<i>5.1</i>		
Attucks Aggregate (formerly Maxam)	-5.6	7.9	-0.5	16.9	1.2	---	2.6	20.2	04/2007	-0.1	20.2	28.7	-37.6	---	6.4%	117,408,158
<i>Russell 3000 Index</i>	<i>-3.1</i>	<i>9.3</i>	<i>3.8</i>	<i>16.7</i>	<i>0.4</i>	---	<i>1.5</i>	<i>19.6</i>		<i>1.0</i>	<i>16.9</i>	<i>28.3</i>	<i>-37.3</i>	---		
BlackRock Russell 1000	-3.1	9.4	4.4	---	---	---	10.7	17.0	01/2010	1.6	16.2	---	---	---	7.1%	131,280,844
<i>Russell 1000 Index</i>	<i>-3.1</i>	<i>9.4</i>	<i>4.4</i>	---	---	---	<i>10.7</i>	<i>17.0</i>		<i>1.5</i>	<i>16.1</i>	---	---	---		
RhumbLine Russell 1000	-3.1	9.4	4.3	---	---	---	17.3	16.4	07/2010	1.4	---	---	---	---	13.3%	244,317,477
<i>Russell 1000 Index</i>	<i>-3.1</i>	<i>9.4</i>	<i>4.4</i>	---	---	---	<i>17.3</i>	<i>16.5</i>		<i>1.5</i>	---	---	---	---		
Fisher Small Cap Value	-7.1	8.7	-1.9	---	---	---	2.3	23.7	02/2011	---	---	---	---	---	3.2%	59,621,784
<i>Russell 2000 Value Index</i>	<i>-3.0</i>	<i>8.2</i>	<i>-1.4</i>	---	---	---	<i>1.6</i>	<i>20.8</i>		---	---	---	---	---		
U.S. Equity Transition Account	-2.9	---	---	---	---	---	-2.9	17.4	04/2012	---	---	---	---	---	2.9%	53,671,959
<i>S&P 500 Index</i>	<i>-2.8</i>	---	---	---	---	---	<i>-2.8</i>	<i>17.6</i>		---	---	---	---	---		
Non-U.S. Equity	-7.6	3.2	-14.6	7.5	-5.4	3.2	4.6	20.3	01/1994	-12.8	12.8	36.1	-43.7	9.9	23.4%	430,926,413
<i>MSCI EAFE Index ND*</i>	<i>-7.1</i>	<i>3.0</i>	<i>-13.8</i>	<i>6.0</i>	<i>-6.1</i>	<i>2.3</i>	<i>4.3</i>	<i>19.5</i>		<i>-12.1</i>	<i>7.8</i>	<i>31.8</i>	<i>-43.4</i>	<i>11.2</i>		
BlackRock EAFE Sudan-Free	-6.8	3.3	-13.4	6.4	---	---	9.7	20.7	05/2009	-11.7	8.2	---	---	---	10.5%	193,296,098
<i>MSCI EAFE Sudan-Free Index ND</i>	<i>-7.1</i>	<i>3.0</i>	<i>-13.8</i>	<i>6.0</i>	---	---	<i>9.3</i>	<i>20.9</i>		<i>-12.1</i>	<i>7.7</i>	---	---	---		
DFA Intl Large Cap Value	-9.5	0.9	-19.7	5.2	-7.2	---	-2.0	26.1	09/2006	-16.5	11.1	40.1	-46.1	10.2	2.3%	43,255,085
<i>MSCI World ex US Value ND**</i>	<i>-7.2</i>	<i>1.7</i>	<i>-14.9</i>	<i>5.0</i>	<i>-7.0</i>	---	<i>-2.6</i>	<i>23.2</i>		<i>-11.7</i>	<i>4.8</i>	<i>36.7</i>	<i>-44.3</i>	<i>6.9</i>		
DFA Intl Small Cap	-9.2	4.1	-14.9	10.3	-3.7	5.0	12.1	20.1	05/2003	-14.8	24.6	42.7	-43.6	5.7	5.0%	92,057,418
<i>MSCI World ex US Small Cap ND (blend)***</i>	<i>-9.2</i>	<i>3.2</i>	<i>-15.7</i>	<i>10.1</i>	<i>-4.9</i>	<i>3.3</i>	<i>11.1</i>	<i>21.2</i>		<i>-15.8</i>	<i>24.5</i>	<i>50.8</i>	<i>-48.0</i>	<i>3.3</i>		
Russell Transition Account****	-6.9	3.2	-14.1	---	---	---	-5.9	20.5	01/2011	-11.5	---	---	---	---	5.6%	102,317,812
<i>MSCI EAFE Index ND*****</i>	<i>-7.1</i>	<i>3.0</i>	<i>-13.8</i>	---	---	---	<i>-6.5</i>	<i>20.6</i>		<i>-12.1</i>	---	---	---	---		
U.S. Fixed Income	2.3	4.7	8.4	9.8	6.0	5.2	8.0	5.6	01/1984	7.0	7.4	19.5	-4.3	4.4	20.8%	384,095,003
<i>Barclays U.S. Universal Index*****</i>	<i>2.0</i>	<i>2.9</i>	<i>7.4</i>	<i>7.6</i>	<i>6.8</i>	<i>5.7</i>	<i>8.3</i>	<i>4.7</i>		<i>7.4</i>	<i>7.2</i>	<i>8.6</i>	<i>2.4</i>	<i>6.5</i>		
PIMCO Total Return	2.7	5.0	6.9	---	---	---	7.2	3.1	12/2009	4.7	9.6	---	---	---	6.6%	121,437,115
<i>Barclays U.S. Universal Index</i>	<i>2.0</i>	<i>2.9</i>	<i>7.4</i>	---	---	---	<i>6.2</i>	<i>2.6</i>		<i>7.4</i>	<i>7.2</i>	---	---	---		
Reams Asset	2.3	5.3	10.7	11.6	10.1	8.3	7.6	8.1	01/2002	8.4	10.6	32.0	-9.1	8.0	4.7%	86,547,550
<i>Barclays U.S. Universal Index</i>	<i>2.0</i>	<i>2.9</i>	<i>7.4</i>	<i>7.6</i>	<i>6.8</i>	<i>5.7</i>	<i>6.0</i>	<i>3.3</i>		<i>7.4</i>	<i>7.2</i>	<i>8.6</i>	<i>2.4</i>	<i>6.5</i>		
Western Asset	2.1	4.9	8.6	10.9	7.3	6.1	6.8	4.8	10/2001	7.6	10.2	18.5	-7.0	4.3	6.1%	111,802,818
<i>Barclays U.S. Universal Index</i>	<i>2.0</i>	<i>2.9</i>	<i>7.4</i>	<i>7.6</i>	<i>6.8</i>	<i>5.7</i>	<i>5.9</i>	<i>3.2</i>		<i>7.4</i>	<i>7.2</i>	<i>8.6</i>	<i>2.4</i>	<i>6.5</i>		
Pugh Capital	2.1	3.1	8.1	8.1	7.7	6.3	7.0	3.8	11/1994	8.2	7.4	9.1	4.6	6.8	3.5%	64,307,520
<i>Barclays U.S. Aggregate Index</i>	<i>2.1</i>	<i>2.4</i>	<i>7.5</i>	<i>6.9</i>	<i>6.8</i>	<i>5.6</i>	<i>6.7</i>	<i>3.7</i>		<i>7.8</i>	<i>6.5</i>	<i>5.9</i>	<i>5.2</i>	<i>7.0</i>		

^APerformance inception date for the Total Fund and asset classes is the month/year of the earliest historical return available; for managers it is the month/year of the manager's first full month of performance available since funding. Note, the earliest historical return available for the Total Fund is 1/1984, however the earliest historical return available for the Policy Index is 7/1984.

^{AA}Current policy benchmark consists of 31% Russell 3000, 27% MSCI EAFE ND, 20% BC Universal, 5% CPH+3%, 5% Russell 3000+3% (qtr lagged), and 12% NCREIF ODCE (qtr lagged). The policy benchmark allocation utilizes the evolving policy target allocation effective January 2012. The 2012 policy target includes a 6% allocation to Covered Calls (CBOE BXM). Until the Covered Calls mandate is implemented, its 6% target allocation is included in the U.S. Equity target (Russell 3000). Beginning with the 4Q2011 report, the policy benchmark composition was changed as the MSCI EAFE GD was replaced with the MSCI EAFE ND, and the NCREIF NPI (qtr lagged) was replaced with the NCREIF ODCE (qtr lagged). The retroactive change of the non-U.S. equity benchmark is in-line with SCERS' current non-U.S. equity managers' benchmarks (shown net of dividends). The retroactive change of the real estate benchmark reflects that SCERS' real estate managers have been utilizing leverage historically. The new real estate benchmark was approved by the Board at its meeting on 1/10/2012. The changes are retroactive to 7/1/2007 (to account for the introduction of the real estate quarter lag) when PCA began calculating the policy benchmark.

^{AAA}Total Fund, Policy Index, asset class, and manager 1-year returns are shown as published in each respective calendar year's fourth quarter report. These returns do not reflect any retroactive changes following publication.

^{AAAA}Inception-to-date standard deviation is calculated using quarterly data (starting with the first quarterly return) for the aggregates and managers with inception dates prior to 4/2007. Monthly data was used for all other managers.

^AThe benchmark changed retroactively from MSCI EAFE GD to MSCI EAFE ND for all time periods measured beginning the 4Q2011 report. The retroactive change to the benchmark is in-line with SCERS' current non-U.S. equity managers' benchmarks (shown net of dividends).

^{**}The benchmark changed retroactively from MSCI EAFE Value GD to MSCI World ex US Value ND; this change was approved by the Board on 10/5/2011.

^{***}MSCI EAFE Small Cap GD 5/1/2003-6/30/2005; MSCI World ex US Small Cap ND 7/01/2005-present; this change was approved by the Board on 10/5/2011.

^{****}In January 2011 the account was in the process of transitioning assets. Beginning February 2011 the account solely held EAFE ETFs.

^{*****}The benchmark changed retroactively from MSCI EAFE GD to MSCI EAFE ND as of the 4Q2011 report to match the manager's benchmark.

^{*****}For Inception to Date period: BC U.S. Universal 1/01/1990 - present, BC U.S. Aggregate prior.



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Q2-12

Asset Class Performance (gross of fees) – periods ending June 30, 2012

	Annualized Return							Ann. Std.Dev. ITD ^{^^^}	Performance Inception Date [^]	Published Calendar Year Returns ^{^^}					% of Total Fund	Market Value (\$)
	Qtr	YTD	1-Year	3-Year	5-Year	7-Year	ITD			2011	2010	2009	2008	2007		
Real Return	1.1	3.2	0.5	---	---	---	2.6	2.9	01/2011	0.7	---	---	---	---	6.0%	111,398,022
<i>Consumer Price Index + 3.0%</i>	<i>0.8</i>	<i>3.2</i>	<i>4.7</i>	---	---	---	<i>6.2</i>	<i>1.2</i>		<i>6.3</i>	---	---	---	---		
Attalus Long/Short Equity Fund*	-3.0	3.7	-2.9	2.4	-0.2	---	3.1	9.2	01/2006	-4.7	3.5	9.2	-17.3	17.3	0.5%	8,576,294
BlackRock Quantitative Strategic Partners Inc.*	-0.2	2.9	1.8	8.9	1.8	4.9	7.8	7.6	01/1999	2.7	9.8	23.8	-24.9	10.1	2.6%	47,043,230
Russell TIPS	3.1	4.2	---	---	---	---	4.3	4.7	12/2011	---	---	---	---	---	3.0%	55,778,497
<i>Consumer Price Index + 3.0%</i>	<i>0.8</i>	<i>3.2</i>	<i>4.7</i>	<i>5.1</i>	<i>5.0</i>	<i>5.5</i>	---	---		<i>6.3</i>	<i>4.5</i>	<i>5.8</i>	<i>3.1</i>	<i>7.2</i>		
Private Equity (lagged)**	2.9	12.3	16.5	14.1	6.4	---	6.6	5.2	04/2007***	12.3	---	---	---	---	3.1%	57,418,957
<i>Russell 3000 + 3.0% (lagged)</i>	<i>13.7</i>	<i>28.4</i>	<i>10.4</i>	<i>27.9</i>	<i>5.2</i>	---	<i>5.4</i>	<i>19.4</i>		<i>3.6</i>	---	---	---	---		
Babson	2.3	7.1	20.8	12.0	8.6	---	9.7	6.4	01/2006	22.2	7.8	-8.0	7.2	18.7	0.2%	4,327,722
Bison	3.7	14.4	10.8	19.7	16.8	---	16.3	4.9	04/2007	16.4	22.5	13.0	9.9	---	0.4%	7,230,026
BlackRock Co-Investment	-0.6	3.2	13.5	13.4	6.6	---	7.4	10.8	12/2006	22.7	14.5	-19.4	14.0	7.8	0.2%	2,973,383
Capital Point Partners	3.4	4.1	14.8	14.8	---	---	13.6	2.9	01/2008	20.5	14.1	12.8	9.8	---	0.3%	4,788,660
Carlyle Mezzanine Partners	8.7	13.1	19.7	6.4	-0.8	---	5.6	16.7	01/2006	15.7	-7.7	-29.0	4.5	41.3	0.3%	6,033,807
Imperium Renewables*	0.0	48.0	48.0	3.9	-14.2	---	-13.4	35.4	03/2007	-24.3	0.0	0.0	0.0	---	0.3%	6,045,571
Nogales Investors Fund II	1.5	9.5	13.3	11.1	9.9	---	-5.8	26.1	12/2006	12.4	7.1	7.5	12.1	---	0.2%	3,538,738
Oaktree Capital Mezzanine	3.1	10.3	20.6	18.5	9.1	---	8.7	9.1	03/2006	16.4	18.0	-5.5	4.3	11.0	0.4%	6,895,633
Schemalogic	0.0	0.0	0.0	---	---	---	0.0	0.0	09/2010	0.0	---	---	---	---	0.1%	1,391,362
Smith Whiley Pelham Fund	-0.9	3.2	7.0	13.1	16.8	---	10.0	12.7	09/2006	3.4	22.4	25.8	22.6	-15.0	0.3%	4,981,916
Sonics, Inc.	0.0	19.4	19.4	---	---	---	-10.1	21.0	09/2010	-31.1	---	---	---	---	0.0%	208,318
TCW	5.8	19.0	10.9	19.2	8.6	---	4.9	13.7	06/2006	8.6	13.5	-4.2	2.2	-6.8	0.4%	8,114,104
Verdiem Corp.	0.0	0.0	0.0	---	---	---	-15.0	11.5	09/2010	-25.8	---	---	---	---	0.0%	718,107
Widvine Technologies	0.0	0.0	0.0	---	---	---	63.3	42.5	09/2010	145.6	---	---	---	---	0.0%	171,610
<i>Russell 3000 + 3.0% (lagged)</i>	<i>13.7</i>	<i>28.4</i>	<i>10.4</i>	<i>27.9</i>	<i>5.2</i>	---	---	---		<i>3.6</i>	<i>14.3</i>	<i>-3.6</i>	<i>-19.1</i>	<i>20.0</i>		
Real Estate (lagged)**	3.4	7.5	13.2	3.4	-1.5	3.4	8.0	6.5	01/1994	11.9	0.1	-31.3	-10.6	15.7	10.9%	200,937,324
<i>NCREIF ODCE (gross) (lagged)****</i>	<i>2.8</i>	<i>5.9</i>	<i>14.7</i>	<i>4.1</i>	<i>-0.4</i>	<i>4.7</i>	<i>8.3</i>	<i>6.8</i>		<i>18.3</i>	<i>7.0</i>	<i>-35.2</i>	<i>3.2</i>	<i>18.2</i>		
American Core Realty Fund	3.0	5.9	13.4	1.9	-0.4	---	1.3	9.8	03/2006	16.1	2.7	-32.4	-5.3	17.8	0.5%	9,952,003
Carlyle Realty Fund IV	5.4	4.8	4.5	-6.7	-10.8	-6.1	-6.0	22.1	06/2005	-8.1	-6.5	-49.0	-16.4	65.9	0.5%	9,625,730
JP Morgan Combined Real Estate	2.9	6.8	16.6	---	---	---	17.5	2.3	01/2011	19.2	---	---	---	---	4.0%	73,585,541
JP Morgan Tactical Allocation Program	5.2	12.5	14.8	15.0	1.3	6.0	10.2	9.8	10/1999	13.1	13.6	-29.4	-18.2	7.2	3.6%	67,148,589
TA Associates Realty Fund VI	-1.0	0.7	4.8	-3.6	-0.5	5.7	7.3	13.2	04/2003	5.1	-9.2	-17.0	17.9	25.6	0.3%	5,364,900
TA Associates Realty Fund VII	2.1	2.1	6.8	-7.9	-3.5	---	1.9	15.0	09/2005	4.4	-22.4	-18.3	18.7	17.9	0.6%	10,566,222
TA Associates Realty Fund VIII	-0.6	1.5	5.1	-6.4	-4.0	---	-3.6	11.6	12/2006	5.3	-18.7	-15.4	10.2	0.8	0.7%	13,561,894
Washington Capital	2.4	4.6	12.7	-1.9	-1.3	---	3.6	9.0	09/2005	13.6	-4.4	-29.4	-2.4	14.3	0.6%	11,132,445
<i>NCREIF ODCE (gross) (lagged)****</i>	<i>2.8</i>	<i>5.9</i>	<i>14.7</i>	<i>4.1</i>	<i>-0.4</i>	<i>4.7</i>	---	---		<i>18.3</i>	<i>7.0</i>	<i>-35.2</i>	<i>3.2</i>	<i>18.2</i>		
Cash & Cash Equivalents	0.5	0.6	1.0	1.7	2.9	3.1	5.3	1.3	10/1986	1.0	2.7	2.9	4.5	5.6	0.6%	10,307,571
<i>Citigroup 3-Month T-Bills</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.1</i>	<i>0.9</i>	<i>1.9</i>	<i>3.9</i>	<i>1.2</i>		<i>0.1</i>	<i>0.1</i>	<i>0.2</i>	<i>1.8</i>	<i>4.7</i>		

[^]Performance inception date for asset classes is the month/year of the earliest historical return available; for managers it is the month/year of the manager's first full month of performance available since funding.

^{^^}Asset class and manager 1-year returns are shown as published in each respective calendar year's fourth quarter report. These returns do not reflect any retroactive changes following publication.

^{^^^}Inception-to-date standard deviation is calculated using quarterly data (starting with the first quarterly return) for the aggregates and managers with inception dates prior to 4/2007. Monthly data was used for all other managers.

^{*}Historical returns are net of fees inception-12/2007.

^{**}All Private Equity and Real Estate asset class and manager returns are lagged one quarter, with the exception of the BlackRock Co-Investment fund which is lagged two quarters.

^{***}The dedicated Private Equity aggregate was established 1/2011. Aggregate returns prior to 1/2011 are shown for illustrative purposes only and were calculated utilizing the managers currently shown. Aggregate returns prior to 4/2007 are unavailable.

^{****}The benchmark changed retroactively from NCREIF NPI to NCREIF ODCE for all time periods measured beginning with SCERS' 4Q2011 report. The retroactive change to the benchmark reflects that SCERS' real estate managers have been utilizing leverage historically. The new benchmark was approved by the Board at its meeting on 1/10/2012.

